Chain Store Age
EXECUTIVE
with Shopping C
The newsmagazine f ement
April 1991

UPSCALE RETAILING BATTLES THE RECESSION

Larry McKinney
President
Larry's Markets

79.00 A YEAR (USA)

CONTENTS

MEDICINE SHOPPES' Rx FOR SUCCESS

A drug store without cosmetics? Welcome to Medicine Shoppe International. Riding a ten-year wave of 25% annual earnings growth, the St. Louis-based franchised drug store chain credits its success to a narrow market focus and a recession-resistant merchandise mix. 23

DEPARTMENTS

Cover Story: Upscale Larry's Markets, responding to the downturn in the economy, has changed its promotional strategy to attract value-oriented shoppers. 21

Corporate Profile: Medicine Shoppe International is emphasizing a conversion program that allows independent drug store operators to become MSI fracnhisees. 23

Strategies: Tuesday Morning sells first quality closeout giftware seven days a week, but only 185 days a year. 26

Waste Management: Federated Department Stores is serious about its recycling program for all its packaged goods. 72

Executive Forum: Distribution logistics has become concerned with methods that can be used to maximize productivity and inventory turns within the distribution center. 74

Store Design: After months of construction delay, The Limited has unveiled its dazzling new Henri Bendel flagship in New York City. With its restored Lalique windows, marble flooring, handpainted domed ceilings, and wrought iron railings, the store has a rich and luxurious look. 76

Finance: External audits help chains reduce overpayments to vendors. 84

War wariness depresses February sales. 88

SECTION TWO

Section Two: Ernst & Young/*Chain Store Age Executive* questionnaire for the Tenth Annual Survey of Retail Information Technology Expenses and Trends. . . . . **Regional**

RETAIL TECHNOLOGY

Distribution: REI's planned distribution center upgrade stands to make the cooperative a tougher competitor in outerwear and outdoor sporting equipment retailing. 55

Satellite Communications: Best Products has offset a substantial amount of VSAT startup costs by using a shared hub rather than a private one. 56

Transaction processing: A new approach to telecommunications—data-over-voice topology—is being pursued as a way to reduce the expense of dedicated access. 64

Retail Tech Forum: The value of outsourcing IT is that you create a strategic tool which can be employed in several ways to work to your competitive advantage. 66

Technically Speaking 68

New Products 69

On Line 71

SHOPPING CENTER AGE

Planned Urban Developments: The retail portion of a PUD offers greater predictability and a guarantee competition won't locate nearby. . . 31

Living above or next door to the mall may only be a few years away. . 32

Case study: Brookhaven Town Center will kick off a major planned community on Long Island. 32

Market Study: Arizona, shaken by the S&L scandal and overbuilt in areas, is biding its retail development time. 38

The expansion of Tucson Mall may keep some upscale shoppers from driving to Phoenix. 42

Case study: Two major developers are itching to build a regional mall in a Dayton suburb, starting the Battle for Beavercreek. 44

Shopping Center Age News . . . 48

Development Activity 50

On the Level 51

On Center 52

From the Editor's Desk 8

Updates 10

Perspectives 17

New Products 78

People 82

Advertising Index 90

WAR WARINESS DEPRESSES FEBRUARY SALES

SEARS FALLS BEHIND WAL-MART, KMART

Most of the nation's largest retailers suffered another weak month of sales in February, as the Persian Gulf war and the recession persisted in deterring consumer purchases of discretionary items.

The notable exceptions were Wal-Mart and Kmart, whose strength was apparent from their double-digit sales gains. The two discounters have pulled ahead of Sears, the longtime occupier of the No. 1 retailer slot. Wal-Mart and Kmart are now the nation's No. 1 and 2 retailers, respectively.

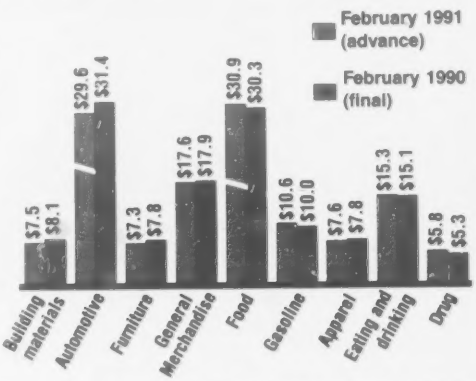
Edward A. Brennan, Sears' chairman and ceo, says economic concerns were continuing to depress sales in big ticket items like appliances, where Sears has a strong presence.

Sears was joined by J. C. Penney, F. W. Woolworth, Dayton Hudson, May Department Stores and The Limited in reporting declines in same-store sales.

Many analysts believe consumers will continue to be wary and look for bargains in the aftermath of the war. On the other hand, there is also a feeling that the industry may have bottomed out and a recovery may be ahead.

FEBRUARY SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	February '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Wal-Mart	$2,702,000	+38.0	+11.0	$2,702,000	+38.0	+11.0
Kmart	2,112,081	+10.9	+ 6.3	2,112,081	+10.9	+ 6.3
Sears	2,119,239	– 3.6	– 4.3	2,119,239	– 3.6	– 4.3
Penney	930,000	– 3.7	– 5.4	930,000	– 3.7	– 5.4
Dayton Hudson	905,000	+10.3	– 0.5	905,000	+10.3	– 0.5
May	627,600	+ 6.3	– 2.8	627,600	+ 6.3	– 2.8
Melville[1]	632,335	+24.3	+ 0.7	1,289,830	+24.1	+ 0.5
Walgreen[1]	529,800	+13.7	+10.0	1,063,400	+10.7	+ 7.1
Woolworth	352,000	+ 2.3	– 2.4	352,000	+ 2.3	– 2.4
The Limited	359,700	+13.0	– 3.0	359,700	+13.0	– 3.0
Mercantile	134,187	+ 2.5	+ 0.2	134,187	+ 2.5	+ 0.2
Circuit City[2]	151,000	+ 5.0	– 9.0	2,380,000	+13.0	– 3.0
The Gap	119,000	+16.0	+ 1.0	119,000	+16.0	+ 1.0
Ross's	102,446	– 0.8	– 2.4	102,446	– 0.8	– 2.4
Neiman-Marcus Group[3]	112,300	+ 7.1	+ 1.7	1,078,100	+ 5.5	– 0.3
Venture Stores	81,600	+10.4	+ 6.4	81,600	+10.4	+ 6.4
Edison Bros.[1]	82,400	+23.4	N/R	82,400	+23.4	N/R
Jamesway	43,307	– 4.0	– 7.0	43,307	– 4.0	– 7.0
Charming Shoppes	56,900	+17.3	+10.0	56,900	+17.3	+10.0
Ross	52,000	+21.0	+ 5.0	52,000	+21.0	+ 5.0
Dollar General	40,600	+10.2	+ 5.7	40,600	+10.2	+ 5.7
Best Buy[4]	45,000	+15.0	– 1.0	665,000	+22.0	+ 1.0
Gottschalks	17,600	+25.0	+11.1	17,600	+25.0	+11.1
Claire's	15,460	+11.0	– 4.0	15,460	+11.0	– 4.0

[1]fiscal year ends Dec. 31 [2]fiscal year ends Feb. 28 [3]fiscal year ends July 31 [4]fiscal year ends Mar. 31 N/R = not reported N/C = no change Source: Company reports

Chain Store Age Executive (USPS 054-410; ISSN 0193-1199), is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022, on a controlled basis to qualified retailers, real estate and shopping center developers and operators, architects and design firms, and at $79 a year; outside U.S.A.: Canada $79 (U.S. $) a year; elsewhere $125 a year, air-mail only. Single copy price: $5. Second class postage paid at New York, NY, and additional mailing offices. Vol. 67, No. 4 Copyright © 1991 by Lebhar-Friedman Inc. All rights reserved.
POSTMASTER: Please send address changes to Chain Store Age Executive, Subscription Department, Grand Central Station, P.O. Box 3113, New York, N.Y. 10164-0659.